

City of Sioux Falls  
Report on Applying Agreed-Upon Procedures:  
Capital Improvement Plan Projects  
CY1995-CY2004

**State of South Dakota**  
**Department of Legislative Audit**  
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c/o 500 East Capitol  
Pierre, SD 57501-5070

City of Sioux Falls  
Report on Applying Agreed-Upon Procedures:  
Capital Improvement Plan Projects  
CY1995-CY2004

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Fiscal Committee of the City Council  
City of Sioux Falls  
224 W. 9th St.  
Sioux Falls, SD 57104-6407

We have performed the procedures contained in the enclosure to this report, which we agreed to perform and with which you concurred, solely to assist you in your review of budgeting and expenditure practices related to the City's Capital Improvement Program (CIP) projects for the period of calendar years (CY) 1995 through 2004. In performing the agreed-upon procedures, we conducted our work in accordance with generally accepted government auditing standards for attestation engagements established by the U.S. Government Accountability Office (GAO).

The adequacy of the procedures to meet your objectives is your responsibility, and we make no representation in that respect. The enclosure contains the agreed-upon procedures and our findings from performing each of the procedures.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the projects which were subjected to our procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Also, our procedures were less in scope than would be necessary to render an opinion on the internal control structure policies and procedures. Accordingly, we do not express such an opinion.

This report is intended solely for the use of the Fiscal Committee of the Sioux Falls City Council and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

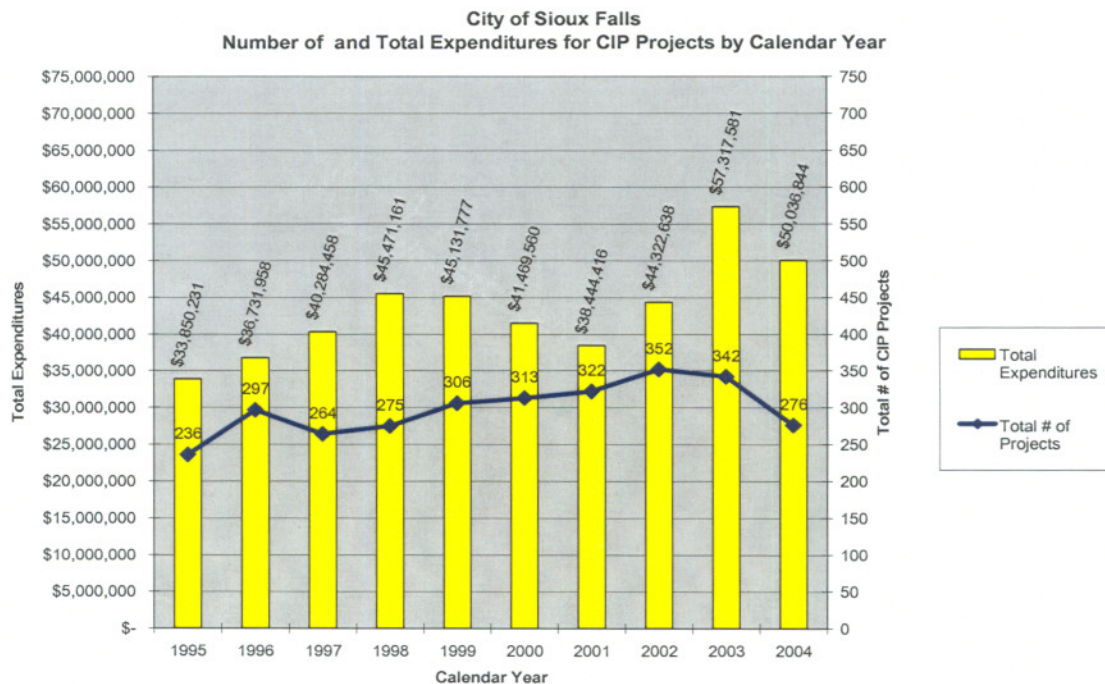
Martin L. Guindon, CPA  
Auditor General

July 25, 2005

### Capital Improvement Plan Project Procedures and Results

1. We reviewed specific documents and processes related to the budgeting of the "Phillips to the Falls" and the "Pasley Park" Capital Improvement Plan (CIP) projects, including the original approval of the budget and subsequent adjustments to the budget and the level of approval for those adjustments. Additionally, we reviewed documents and processes involved with bidding, contracting, contract change orders, and expenditures related to the projects and also determined whether procedures followed for the projects were in compliance with the City of Sioux Falls Home Rule Charter, City ordinances and South Dakota Codified Laws (SDCL). We also performed these procedures for an additional representative sample of thirteen other CIP projects from the period calendar year (CY) 1995 through CY 2004. We judgmentally selected the additional representative sample from projects that had incurred in excess of \$1,000,000 in expenditures and appeared at some time during the life of the project to have incurred expenditures or obligations in excess of the approved project budget. The sample included projects with expenditures in each of the years from CY1995 through CY2004 and also covered various departments or Major Organizational Units (MOU).

The number of projects and the total amount of expenditures for those projects for each year of the period covered by our review are depicted in the following chart:



Of the fifteen projects in our sample, we found that expenditures were incurred in excess of the approved project budget at some point during the project's life for eleven of the projects and for thirteen of the projects, obligations were incurred in excess of the approved project budget at some point during the project's life.

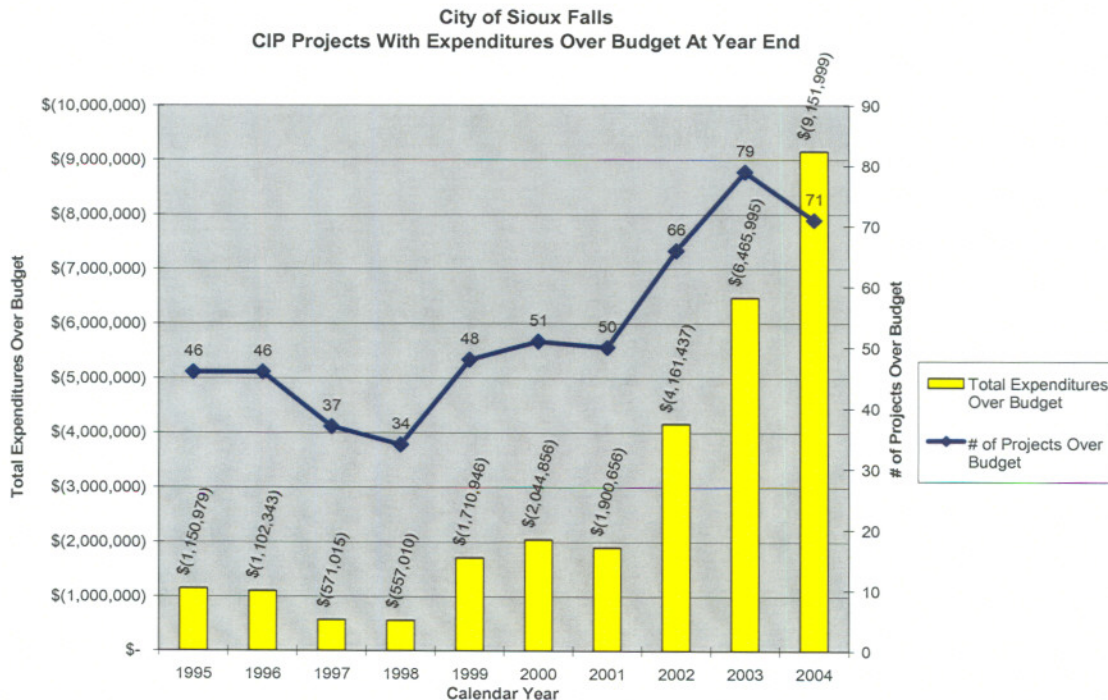
We prepared exhibits summarizing the results of our review for each project included in our sample. The exhibits include details of the approved budget for each project and our determination of whether the City had incurred expenditures and/or obligations in excess of the approved project budget. The exhibits begin on page 12



of this report. A list of the projects included in our sample and the associated exhibit reference for each project follows:

- Exhibit A – CIP Project #140099 – Phillips Avenue to the Falls
- Exhibit B – CIP Project #150064 – Pasley Park Underpass
- Exhibit C – CIP Project #003028 – Northeast Branch Library
- Exhibit D – CIP Project #005075 – Water Treatment Plant Upgrade
- Exhibit E – CIP Project #008012 – Arena Retrofit
- Exhibit F – CIP Project #013065 – First Avenue Parking Expansion
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- Exhibit K – CIP Project #092075 – Elevated Storage Enhancement
- Exhibit L – CIP Project #149099 – Marion Road, 12 Street South
- Exhibit M – CIP Project #165099 – Sycamore Avenue, 6<sup>th</sup> Street to 25<sup>th</sup> Street
- Exhibit N – CIP Project #284099 – Louise Avenue, Tennis Lane to 57<sup>th</sup> Street
- Exhibit O – CIP Project #912504 – Flow Equalization Basin

Based on detailed CIP project data provided to us from the City's accounting system, we summarized expenditure information for all CIP projects and for those projects where the data showed that a project's expenditures were in excess of the approved budget at the end of a calendar year. We found that there were projects with expenditures in excess of approved budgets in each of the calendar years included in our review. Additionally, we noted an increase in both the number of projects with expenditures larger than the approved budget and the total dollar amount by which expenditures exceeded the approved budget for CY2002, CY2003 and CY2004. The following chart depicts this information for the period we reviewed:



2. We reviewed the City's compliance with Home Rule Charter Sections 5.06 and 5.10 and SDCL 9-21-2, 9-21-9 and 9-21-10.

Home Rule Charter Section 5.06 states:

To implement the adopted budget, of the ensuing fiscal year, the city council:

- (a) Shall, no later than its final regular meeting in October of the year, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality. The ordinance shall specify the function and subfunction as prescribed by the department of legislative audit for which the appropriations are made and the amount appropriated for each function and subfunction, which amount shall be appropriated from the proper fund. It is not necessary to appropriate revenue to be expended from an enterprise or trust and agency fund if the fund is not supported or subsidized by revenue derived from the annual appropriated tax levy. However, an annual budget for these funds shall be developed and published no later than the last day of December of each year, and
- (b) Shall adopt any other ordinances required to authorize new revenues or to amend the rates or other features of existing taxes or other revenue sources.

Home Rule Charter Section 5.10 states:

No payment shall be made or obligation incurred against any allotment or appropriation except in accordance with appropriations duly made and unless the mayor or the mayor's designee first certifies that there is a sufficient unencumbered balance in such allotment or appropriation and that sufficient funds therefrom are or will be available to cover the claim or meet the obligation when it becomes due and payable. Any authorization of payment or incurring of obligation in violation of the provisions of this charter shall be void and any payments made illegal. A violation of this provision shall be cause for removal of any officer who knowingly authorized or made such payment or incurred such obligation. Such officer may also be liable to the city for any amount so paid. Except where prohibited by law, however, nothing in this charter shall be construed to prevent the making or authorizing of payments or making of contracts for capital improvements to be financed wholly or partly by the issuance of bonds or to prevent the making of any contract or lease providing for payments beyond the end of the fiscal year, but only if such action is made or approved by ordinance.

SDCL 9-21-2 states:

The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality. The ordinance shall specify the function and subfunction as prescribed by the Department of Legislative Audit for which the appropriations are made and the amount appropriated for each function and

subfunction, which amount shall be appropriated from the proper fund. It is not necessary to appropriate revenue to be expended from an enterprise or trust and agency fund if the fund is not supported or subsidized by revenue derived from the annual appropriated tax levy. However, an annual budget for these funds shall be developed and published no later than December thirty-first of each year.

SDCL 9-21-9 states:

Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided.

SDCL 9-21-10 states:

Except as otherwise provided no contract shall be made by the governing body of any municipality and no expense shall be incurred by any department or any officer thereof, whether ordered by the governing body or not, unless an appropriation shall have been previously made concerning such expense, or the governing body authorized to issue bonds for a specific purpose.

We reviewed the "Detail Budget Report" produced by the City's accounting system for the Sales/Use Tax Fund #253 for all of CY 2004 and for the months of September through December for CY1996 through CY2003. We also reviewed the adopted appropriations ordinances for each of these years. We chose this fund because it is used primarily for capital improvements. We reviewed the Detailed Budget Report and the adopted ordinances for the purpose of determining whether the City had over expended and/or over obligated legally adopted appropriations.

SDCL 9-21-2 and the City's Home Rule Charter Section 5.06 require the City Council to adopt an appropriation ordinance by fund at the "function and subfunction" level. The function and subfunction level as it relates to the City of Sioux Falls budgetary structure is the "department" level.

For each of the years CY1996 through CY2004, the City adopted appropriations ordinances at the department level for the Sales and Use Tax Fund. However, prior to the implementation of a new financial reporting model in CY2002, the City, in its annual financial statements, reported on compliance with appropriations at only the fund level for funds other than the General Fund. Consequently, the City did not adopt supplemental appropriations ordinances to address situations where appropriations were exceeded at the department level for years prior to CY2002.

We believe the City should have reported on compliance with appropriations at the department level for the Sales/Use Tax Fund in each of the years CY1996 through CY2004. However, for comparative purposes, the following paragraphs will summarize the results of our review of the Detailed Budget Reports and

appropriations ordinances considering compliance at both the fund level and at the department level.

At the fund level for the Sales/Use Tax Fund, we found no instances where expenditures exceeded appropriations. We found one instance in November of 2004 where obligations exceeded adopted appropriations at the fund level for the Sales/Use Tax Fund. We believe this instance would be in violation of Home Rule Charter 5.10 and SDCL 9-21-9 and 9-21-10. This instance is discussed further in later paragraphs.

At the department level, we found instances where the City made expenditures and/or incurred obligations in excess of adopted appropriations. A table summarizing all of the instances that we noted is presented in Exhibit P on page 31. We did not determine whether each of these instances constituted a violation of home rule charter or state law.

Following are descriptions of two instances, one from CY1999 and one from CY2004, where expenditures and/or obligations in excess of appropriations occurred at the department level. We believe these instances would be violations of Home Rule Charter 5.10 and SDCL 9-21-9 and 9-21-10.

For the fiscal year 1999 as of December 31, 1999, the City made expenditures and incurred obligations (encumbrances) in excess of appropriations at the department level for the Sales/Use Tax Special Revenue Fund #253 as shown in the following table:

Department Number	Department	Appropriation	Actual Expenditures	Under (Over) Expended	Encumbrances	Under (Over) Obligated
Dept. #12	Arena	\$1,380,176.00	\$1,665,057.87	(\$284,881.87)	\$ 87,711.22	(\$372,593.09)
Dept. #15	Fire Department	\$ 483,799.00	\$ 487,310.28	(\$ 3,511.28)	\$ 88,132.32	(\$ 91,643.60)
Dept. #49	General Government Services	\$ 499,088.00	\$ 503,087.88	(\$ 3,999.88)	\$ 0.00	(\$ 3,999.88)
Dept. #56	Electric Light	\$ 0.00	\$ 15,096.78	(\$ 15,096.78)	\$ 19.30	(\$ 15,116.08)
Dept. #69	Washington Pavilion	\$1,727,398.00	\$1,549,986.80	\$177,411.20	\$401,948.80	(\$224,537.60)
Dept. #77	Water Reclamation	\$ 37,000.00	\$ 43,261.95	(\$ 6,261.95)	\$ 0.00	(\$ 6,261.95)

As we discussed previously, in CY1999 the City reported appropriations compliance at the fund level for the Sales/Use Tax Fund. As a result, the City would have made no attempt to adopt supplemental appropriations ordinances to prevent or remedy the over expenditure and over obligation conditions noted in the previous table.

For the fiscal year 2004, the City incurred expenditures or obligations in excess of the adopted appropriations at the department level for the Engineering Department, Electric Light Department, Parks/Recreation Department, Drainage and Storm Sewer Department and Infrastructure Improvement Department from March through October of 2004; however the total appropriations of the Sales/Use Tax Special Revenue Fund were not over obligated. In November of 2004, the same departments were over budget; however the total appropriation for the Sales/Use Tax Special Revenue Fund was also over obligated. As of November 30, 2004, the



City incurred expenditures and obligations (encumbrances) in excess of the adopted appropriations by subfunction for the Sales/Use Tax Special Revenue Fund #253 as shown below:

Department Number	Department	Annual Appropriation	Actual Expenditures	Under (Over) Expended	Encumbrances	Under (Over) Obligated
Dept. #14	Engineering	\$10,734,423.00	\$12,297,748.50	(\$1,563,325.50)	\$2,190,919.19	(\$3,754,244.69)
Dept. #56	Electric Light	\$ 25,000.00	\$ 25,699.76	(\$ 699.76)	\$ 0.00	(\$ 699.76)
Dept. #64	Parks/ Recreation	\$7,300,693.00	\$7,125,519.52	\$ 175,173.48	\$1,314,684.64	(\$1,139,511.16)
Dept. #72	Drainage&Storm Sewer	\$1,494,543.00	\$1,637,369.94	(\$ 142,826.94)	\$ 69,568.19	(\$ 212,395.13)
Dept. #95	Infrastructure Improvement	\$ 534,106.00	\$ 826,101.60	(\$ 291,995.60)	\$ 117,449.87	(\$ 409,445.47)
Fund 253	Total for Sales/ Use Tax	\$44,138,728.00	\$39,473,067.86	\$4,665,660.14	\$5,070,598.41	(\$ 404,938.27)

The over expenditure and over obligation of appropriations identified in the previous table were addressed in December of 2004 through the adoption of Ordinance 119-04 and two unanticipated grant additions. These actions effectively eliminated the over expended and over obligated positions prior to December 31, 2004.

3. In preparation for conducting our other procedures, we reviewed relevant sections of the City's Home Rule Charter and Purchasing Ordinances. SDCL 6-12-5 states:

Neither charter nor ordinances adopted thereunder may set standards and requirements which are lower or less stringent than those imposed by state law, but they may set standards and requirements which are higher or more stringent than those imposed by state law, unless a state law provides otherwise.

We noted two instances where the City's Purchasing Ordinances are less stringent than state law as follows:

- a. SDCL 5-18-3 states:

If the governing body of any public corporation intends to enter into a contract for ... the purchase of materials, supplies, or equipment which involves the expenditure of **fifteen thousand dollars or more**, the governing body of the public corporation shall advertise for bids for the project ... (Emphasis added.)

Sioux Falls Purchasing Ordinance Chapter 34 ½-7 states:

If a contract of the city ... for the purchase of materials supplies or equipment which involves the expenditure of a sum equal or in excess of **\$25,000** is to be entered into, the mayor shall cause advertisement of bids therefor ... (Emphasis added.)

The City's \$25,000 threshold for bidding materials, supplies or equipment is in excess of that allowed by state law. This constitutes a requirement that is less stringent than state law resulting in a potential violation of SDCL 6-12-5.

b. SDCL 5-18-18 states:

The provisions of §§ 5-18-1 to 5-18-17, inclusive, do not regulate or apply to ... equipment repair contracts; or to the contracts of any school district, municipality, or county for the purchase or lease of communications technologies, computers, peripheral equipment, and related connectivity; or to the purchase of surplus property from another public corporation; or to the purchase by one local government entity from the lowest responsible bidder of an item competitively bid in the previous twelve months by itself or another local government entity or the state at the bid price or less; or to animals purchased by a municipality for a zoo.

Sioux Falls City Purchasing Ordinance Chapter 34 ½-7 states:

The city may purchase or lease **storm-caused debris removal services, sewer clean up services**, art as defined by SDCL 1-22-9, **chemical products, biological products, laboratory apparatus and appliances**, library books, **medical supplies, lubricating oils and grease, snow removal services**, personal computers, telecommunication equipment, peripheral computer hardware, printers, networking components, software, and associated wiring without advertising for competitive bids. (Emphasis added.)

The City has included items in its list of items that are exempt from bidding which are not in state law. This constitutes a requirement that is less stringent than state law resulting in a potential violation of SDCL 6-12-5.

**Internal Control Related Matters and Recommendations Resulting from Applying Agreed-Upon Procedures:**

***Budgetary Controls***

We found that the City's internal controls over budgetary accountability for CIP projects were lacking during the period we reviewed, but recent changes made by the Mayor and City Council should improve those controls if properly implemented.

The following paragraphs discuss actions that have been taken by the City to improve the internal control system and one additional recommendation we have for improvement.

One reason that the City Council did not receive timely notification of the over budget status for CIP projects in CY2004 was due to the fact that standard reports on CIP project status provided to the Council by City management were not in sufficient detail to enable the Council to see the situation as it developed. Recent changes to the standard reports on CIP status received by the Council will provide sufficient detail to enable the Council to see situations where over budget conditions in some projects are being masked by under budget conditions in other projects.

While the recent change to CIP project status reports received by the City Council does enhance accountability for these projects, this change is primarily detective in nature.

We noted an additional change in the control system which we believe will result in an improvement in preventive budgetary controls. During CY2000, all financial aspects of the administration of the CIP Plan, with the exception of plan preparation, were centralized in the Administration Office of the Public Works Department. This reduced the effectiveness of the Finance Department as an element of the financial control system for CIP projects by limiting its ability to monitor and control the issuance of contracts and purchase orders related to CIP projects. Monitoring and financial control of CIP projects was further reduced when the Chief of Staff position was eliminated in CY2004. In February of 2005, the Mayor issued an amendment to Executive Order 04-19 which among other things reinstated the Finance Department as part of the control system. The change gives the Finance Director authority to require funding availability before departments can issue contracts or bids which would exceed authorized appropriations or CIP project budgets.

As noted earlier in our report, we found instances where the City approved contracts, change orders, agreements and purchase orders creating encumbrances in excess of approved CIP budgets at year end. In the following year, the City must create budgetary authority to liquidate these encumbrances either from carry-forward authority available from other projects within the department or MOU or if sufficient amounts are unavailable for carry-forward, the MOU or department must liquidate these encumbrances from the following year's appropriation. As we noted in our review of individual projects, we found no evidence that the City council receives any reporting of transfers effectively created by these automatic carry-forward and encumbered carryover amounts.

Two examples of this situation are described as follows:

CIP Project #008012 – Arena Retrofit had an original budget in the 1999-2003 CIP plan of \$1,000,000. During CY 1999 the project incurred \$1,738,242.78 in expenditures and had an encumbered amount of \$66,791.22 over obligating the approved budget by (\$805,034). In CY 2000 the project started with an adjusted budget of \$66,791, however, based on the fact that the prior year CIP budget was overspent, the “Arena Department” had no appropriations available to carry-over. In CY 2000 the city incurred \$64,155 in expenditures and had an ending budget balance of \$2,636.

Calendar Year	Original Budget	Adjusted Budget	YTD Expenditures	Encumbered Amounts	Budget Balance
CY 1999	\$1,000,000.00	\$1,000,000.00	\$1,738,242.78	\$66,791.22	(\$805,034.00)
CY 2000	\$0.00	\$66,791.00	\$64,155.00	\$0.00	\$2,636.00

CIP Project #149099 – Marion Road, 12<sup>th</sup> Street South had an original budget in the 2002-2006 CIP plan of \$146,000. During CY 2002 the project incurred \$172,413.82 in expenditures and had an encumbered amount of \$427,402.18 over obligating the approved budget by (\$453,816). The “Engineering Department” had sufficient unexpended appropriations at the end of 2002 to cover the encumbered amount and CIP project deficit. In CY 2003 the project received an additional original budget in the 2003-2006 CIP plan of \$2,045,000 and also a \$183,000 transfer from another CIP project. In CY 2003 the project had an adjusted budget of \$2,655,402 (\$2,045,000 + 427,402 + 183,000); however, because the prior year CIP budget was overspent, no budget was available to carry forward for the \$427,402 encumbered amount. During CY

2003 the project incurred \$4,704,441.91 in expenditures and had an encumbered amount of \$666,058.53 over obligating the approved CIP budget by (\$2,715,098.44). At the end of CY 2003 the "Engineering Department" did not have any available appropriation. This prevented carryover of all purchase orders outstanding and no carry forward for any other CIP projects not encumbered. In CY 2004 the project started with an adjusted budget of \$666,059, however, based on the fact that the prior year CIP budget was overspent, no budget was available to carry-over. In CY 2004 the city incurred \$406,494.16 in expenditures and had an encumbered amount of \$49,448.68, leaving an ending budget balance of \$210,116.16.

Calendar Year	Original Budget	Adjusted Budget	YTD Expenditures	Encumbered Amounts	Budget Balance
CY 2002	\$146,000.00	\$146,000.00	\$172,413.82	\$427,402.18	(\$453,816.00)
CY 2003	\$2,045,000.00	\$2,655,402.00	\$4,704,441.91	\$666,058.53	(\$2,715,098.44)
CY 2004	\$0.00	\$666,059.00	\$406,494.16	\$49,448.68	\$210,116.16

We recommend that the Council receive a report of any transfers within departments or MOUs effectively created by the year end automatic carryover and encumbrance carry-forward process. We believe this is appropriate given the City Council's responsibility, as a legislative body, for appropriations. An added benefit of such reporting is that the Council will have better information concerning the actual established operating budget for the following calendar year.

### ***Audit Committee***

We believe that the City Council should consider establishing an audit committee. An audit committee would represent the Council's first line of defense with respect to the City's system of internal controls.

An audit committee need not be composed only of governing board members, although a majority of the committee should be governing board members. The audit committee should also have access to financial expertise, whether in the form of a single individual serving on the committee or collectively among the committee members.

The audit committee should take responsibility for the activities of the internal auditor. These internal audit activities could include routine reporting to the Council on the City's compliance with selected aspects of the charter and state law and the budget status of CIP projects. While the internal auditor could report administratively to the Director of Finance, we recommend that approval of the internal auditor's work plan be done by the audit committee with active participation of the Director of Finance. Further, the hiring and firing of the internal auditor would be approved by the audit committee. This would give the Council an independent set of eyes looking at the activities of city government without burdening itself and the management of the city with unnecessary bureaucracy.

An audit committee would also be responsible for communicating with the external auditor regarding the scope, conduct and results of the annual financial audit. This communication with the external auditor would include matters regarding the City's system of internal controls over financial reporting and compliance with laws and regulations.

The American Institute of Certified Public Accountants (AICPA) has recently issued a toolkit for governments to assist them with establishing an audit committee. The toolkit includes a matrix for the development of an audit committee charter. The toolkit is available at no charge from the AICPA website at [www.aicpa.org](http://www.aicpa.org).



**Capital Improvement Program-Project # 140099—Phillips Avenue to the Falls****Budget Approval:**

- The initial Capital Improvement Program (CIP) project budget was authorized as part of the 1996-2000 CIP on 7/31/95 in the amount of \$630,000 and then approved as part of the 1996 Appropriation Ordinance on 9/18/95.
- Additions to the project budget were authorized as a part of the CIP during 1997 through 2004 as shown below.
  - Calendar Year 1997 \$ 500,000
  - Calendar Year 1998 \$ 218,450
  - Calendar Year 1999 \$2,490,000
  - Calendar Year 2000 \$1,810,000
  - Calendar Year 2001 \$2,000,000
  - Calendar Year 2002 \$1,030,000
  - Calendar Year 2003 \$ 800,000
  - Calendar Year 2004 \$1,158,000
- Ordinance #75-96 transferred \$500,000 of budget authority to another CIP project and was authorized 7/1/96.
- An additional supplemental appropriation of \$200,000 from federal funding was properly authorized by Ordinance #61-97 dated 8/18/97.
- An additional supplemental appropriation of \$145,636 from federal funding was properly authorized by Resolution #13-99 dated 3/1/99.
- An additional supplemental appropriation of \$544,900 from Sales/Use Tax Fund balance was properly authorized by Ordinance #18-00 dated 3/13/00.
- An additional supplemental appropriation of \$299,460 from federal funding was properly authorized by Ordinance #63-01 dated 6/11/01.
- A budget transfer in of \$6,860 from pooled projects within Major Operational Unit (MOU) was approved by the CIP Committee and posted on 12/10/01.
- A budget transfer in of \$253,184 from pooled projects within MOU was approved by the CIP Committee and posted on 1/7/03.
- An additional supplemental appropriation of \$1,000,000 from the Community Development Fund was properly authorized by Ordinance #40-04 dated 4/12/04.
- An additional supplemental appropriation of \$79,598 from federal funding was properly authorized by Ordinance #102-04 dated 10/18/04.
- A budget transfer in was authorized by Resolution #141-04 in the amount of \$2,583,867 on 12/6/04.
- A Notice of Unanticipated Grant Added to the Budget, in the amount of \$200,000, was sent to the City Council and was signed by the mayor on 12/3/04. However, we noted that as of the date of our field work, the notice of unanticipated grant awards had not been published as required by South Dakota Codified Law 9-21-9.1. City personnel informed us they were in the process of putting together a notice for publication that would include this supplement.
- An additional supplemental appropriation of \$159,944 from the Sales/Use Tax Fund was properly authorized by Ordinance #119-04 dated 12/31/04.
- We determined that in CY 2004 the City carried forward \$197,105.12 more project budget authority than was available.

**Expenditures in Excess of Approved Budget:**

During CY 2004 the City had expenditures in excess of the established project budget. Check number 140788, dated 8/6/2004, to Burlington Northern & Santa Fe Railroad, for \$126,366.52, over expended the established project budget by \$1,508.25. The City issued additional checks that brought total expenditures in excess of the project budget to \$3,046,948.87 just prior to the budget supplement ordinances and resolutions done in December 2004.

**Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established budget. A contract with H & W Contracting, LLC (C04-1013), in the amount of \$3,090,798.96, was signed by the mayor on 3/10/04 resulting in the City over obligating the project budget by \$2,711,299.61. The City continued to make change orders and obligate funds resulting in the City over obligating the project budget by \$4,341,987.06 prior to the budget supplement ordinances and resolutions done in December 2004.

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget has been over expended by \$430,490.25.

Total Approved Project Budget and Adjustments	\$10,408,582.98
Total Expenditures for Project	<u>(\$10,839,073.23)</u>
Excess of Expenditures Over Budget	<u>(\$ 430,490.25)</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$607,000, however the project did not have budget available to carry forward.

## **Capital Improvement Program-Project # 150064—Pasley Park Underpass**

### **Budget Approval:**

- The initial CIP project budget was authorized by a Notice to Transfer Appropriation dated 8/19/02 in the amount of \$1,046,000.00.
- An additional supplemental appropriation of \$414,707.00 from the Sales/Use Tax Fund was properly authorized by Ordinance #66-02 dated 9/3/02.
- A Notice of Unanticipated Grant Added to the Budget, in the amount of \$165,000, was sent to the City Council and was signed by the mayor on 12/3/04. However, we noted that as of the date of our field work the notice of unanticipated grant awards had not been published as required by South Dakota Codified Law 9-21-9.1. City personnel informed us they were in the process of putting together a notice for publication that would include this supplement.
- A budget transfer in was authorized by Resolution No. 141-04 in the amount of \$480,599 on 12/6/04.

### **Expenditures in Excess of Approved Budget:**

During CY 2004 the City had expenditures in excess of the established project budget. Check number 145112, dated 10/29/04, to Burlington Northern & Santa Fe Railroad, for \$205,088.60 over expended the established project budget by \$168,801.53. The City issued additional checks that brought total expenditures in excess of the established project budget to \$457,982.86 prior to the ordinances, resolutions and budget transfers done in December 2004.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget. A contract with Sioux Falls Construction (C04-1042), for \$1,336,853.27 was signed by the mayor on 6/8/04 resulting in the City over obligating the project budget by \$666,626.66. The City continued to enter into contracts and agreements, approve change orders, and obligate funds, resulting in the City over obligating the project budget by \$831,055.33 prior to the ordinances, resolutions and budget transfers done in December 2004.

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget did not exceed its budget.

Total Approved Project Budget	\$2,106,306.00
Total Expenditures for Project	<u>(\$1,928,660.86)</u>
Remaining Project Budget	<u>\$ 177,645.14</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$496,753, however we were informed on 8/24/05 that the encumbrances were overstated by \$263,945, leaving a net encumbrance carry over/forward of \$205,808. The project did not have sufficient project budget available to carry forward.

## **Capital Improvement Program-Project # 003028—Northeast Branch Library**

### **Budget Approval:**

- The initial CIP project budget was authorized as part of the 2002-2006 CIP on 8/13/01 in the amount of \$50,000 and then approved as part of the 2002 Appropriation Ordinance on 9/10/01.
- An additional supplemental appropriation of \$50,000 from the Sales/Use Tax Fund was properly authorized by Ordinance #31-03 dated 4/14/03.
- An additional supplemental appropriation of \$36,781 from the East Tenth Street land sale was properly authorized by Ordinance #84-03 dated 10/6/03.
- An addition to the project budget was authorized as part of the 2004-2008 CIP on 8/11/03 in the amount of \$1,848,000 and then approved as part of the 2004 Appropriation Ordinance on 9/8/03.
- Resolution #141-04 transferred \$90,000 of budget authority to another CIP project and was authorized 12/6/04.

### **Expenditures in Excess of Approved Budget:**

At no time did the City have expenditures in excess of the established project budget.

### **Contracts Approved in Excess of Approved Budget:**

At no time did the City enter into any contracts, agreements, or purchase orders in excess of the established project budget.

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget did not exceed its budget.

Total Approved Project Budget	\$1,967,974.00
Total Expenditures for Project	<u>(\$1,055,605.50)</u>
Remaining Project Budget	<u>\$ 912,368.50</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$648,032.

## **Capital Improvement Program-Project # 005075—Water Treatment Plant Upgrade**

### **Budget Approval:**

- The CIP project budgets were authorized as a part of the CIP during 1996 through 2004 as shown below.
  - Calendar Year 1996 \$2,894,000
  - Calendar Year 1997 \$ 929,500
  - Calendar Year 1998 \$ 232,000
  - Calendar Year 1999 \$1,450,000
  - Calendar Year 2000 \$1,508,500
  - Calendar Year 2001 \$ 700,000
  - Calendar Year 2002 \$5,194,000
  - Calendar Year 2003 \$4,705,000
  - Calendar Year 2004 \$2,815,000
- Ordinance #129-96 transferred \$2,774,000 of budget from user fees to sales tax revenue bond funds and was authorized 11/18/96.
- On 2/19/97 the City increased the project budget by a net of \$308,770; however, no support was available for approval of this increase in the project's budget.
- A budget transfer out of \$100,000 within MOU was approved by the CIP Committee and posted on 8/31/98.

### **Expenditures in Excess of Approved Budget:**

At no time did the City have expenditures in excess of the established project budget.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget two times during the period reviewed, however additional CIP plan appropriations were anticipated.

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget did not exceed its budget.

Total Approved Project Budget	\$20,409,820.33
Total Expenditures for Project	<u>(\$17,367,638.33)</u>
Remaining Project Budget	<u>\$ 3,042,182.00</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$258,783.



## **Capital Improvement Program-Project # 008012—Arena Retrofit**

### **Budget Approval:**

The CIP project budget was authorized as part of the 1999-2003 CIP on 8/11/98 in the amount of \$1,000,000 and then approved as part of the 1999 Appropriation Ordinance on 9/14/98.

### **Expenditures in Excess of Approved Budget:**

During CY 1999 the City had expenditures in excess of the established project budget. Check number 56343, dated 8/6/1999, to Haugan Construction Inc., for \$754,754, over expended the established project budget by \$290,594.53. The City issued additional checks that brought total expenditures in excess of the established project budget to \$802,397.78 at the end of CY 1999.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget. A contract with Haugan Construction Inc. (C99-1006), for \$1,619,500, was signed by the mayor on 3/1/99 resulting in the City over obligating the established project budget by \$633,463.50. The City continued to enter into agreements, approve change orders, and obligate funds resulting in the City over obligating the project budget by \$804,747.50 as of the end of CY 1999.

This project was completed in CY 2000. Over the life of the project, the established project budget was over expended by \$802,397.78.

Total Approved Project Budget	\$1,000,000.00
Total Expenditures for Project	<u>(\$1,802,397.78)</u>
Excess of Expenditures Over Budget	<u>(\$ 802,397.78)</u>

## **Capital Improvement Program-Project # 013065—First Avenue Parking Expansion**

### **Budget Approval:**

- The initial CIP project budget was authorized by Resolution #82-98 dated 6/15/98 in the amount of \$1,704,000.
- During CY 1999 a budget adjustment of a net of \$658,576.72 was recorded, which the City's records noted as an "encumbered amount" at the end of 1998. The project did not have sufficient budget balance remaining at the end of 1998 to carry forward to the next year. However, City records show that the budget was adjusted for the encumbered amounts. City personnel informed us that during this period of time, only the salaries and wages budget line item required formal adjustment. Budget was allowed to be moved from one CIP project to another, within the same MOU or department, without formal approval.

We found no documentation to indicate that this transfer was reported to the council. Without this adjustment, expenditures would have exceeded the original budget by \$652,556.32 at 12/31/99.

### **Expenditures in Excess of Approved Budget:**

If the budget adjustment noted above is considered valid, the City did not have expenditures in excess of the established project budget.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget. A contract with Sioux Falls Construction Company, Inc. (C98-0147), for \$2,318,000 was signed by the mayor on 9/16/98 resulting in the City over obligating the project budget by \$628,476.16. The City entered into one additional agreement with the Winkles Group, Inc. (A98-0415), for \$30,100 that was signed by the mayor on 10/6/98 bringing the total over obligation of the project budget to \$658,576.16.

This project was completed during CY 1999. Over the life of the project, the established project budget was over expended by a total of \$652,556.32.

Total Approved Project Budget	\$1,704,000.00
Total Expenditures for Project	<u>(\$2,356,556.32)</u>
Excess of Expenditures Over Budget	<u>(\$ 652,556.32)</u>

## **Capital Improvement Program-Project # 015077—Sioux River North Interceptor Sewer**

### **Budget Approval:**

- CIP project budgets were authorized as a part of the CIP during 1996 through 1997 as shown below.
  - Calendar Year 1996 \$1,420,000
  - Calendar Year 1997 \$8,210,000
- Ordinance #129-96 cancelled a portion of the original budget (\$7,810,000) and authorized additional budget authority funded by sales tax revenue bond funds in the amount of \$14,953,000 on 11/18/96.
- An additional supplemental appropriation of \$2,000,000 from Water Reclamation Fund fund balance was properly authorized by Ordinance #33-99 dated 3/18/99.
- An additional supplemental appropriation of \$6,216,852 from bond proceeds was properly authorized by Ordinance #83-99 dated 8/2/99.

### **Expenditures in Excess of Approved Budget:**

During CY 2002 the City had expenditures in excess of the established project budget. This occurred at the very end of the project. This instance was a result of the City not carrying sufficient budget forward to the final project year to cover all of the expenditures. The project had \$2,177,652.98 of budget remaining at the end of CY 2001. For CY 2002 the City carried forward only \$44 of the budget. During CY 2002, the City incurred \$16,875.00 of expenditures resulting in an over expenditure of the budget of (\$16,831.00).

### **Contracts Approved in Excess of Approved Budget:**

The City did not enter into any contracts, agreements, or purchase orders in excess of the established project budget.

This project was completed during CY 2002. Over the life of the project, the established project budget was over expended by a total of \$16,831.00.

Total Approved Project Budget	\$17,905,587.64
Total Expenditures for Project	<u>(\$17,922,418.64)</u>
Excess of Expenditures Over Budget	<u>(\$ 16,831.00)</u>

**Capital Improvement Program-Project # 031056—Elm Substation & New UG Circuit #8&#9****Budget Approval:**

- CIP project budgets were authorized as a part of the CIP during 1999 through 2001 as shown below.
  - Calendar Year 1999 \$ 275,000
  - Calendar Year 2000 \$1,200,000
  - Calendar Year 2001 \$ 450,000
- During CY 2000 through CY 2003 budget adjustments totaling \$250,070 were made, which the City's records noted as an "encumbered amount" or "carry forward/over amount" at the end of the year. The project did not have a sufficient budget balance remaining for this project at the end of 1999, 2001 or 2002 to carry forward to the next year. However, City records show that the budget was adjusted for the encumbered or carry forward/over amounts. City personnel informed us that during this period of time, only the salaries and wages budget line item required formal adjustment. Budget was allowed to be moved from one CIP project to another, within the same MOU or department, without formal approval.

We found no documentation to indicate that the transfers were reported to the council. Without these adjustments, expenditures would have exceeded the original budget by \$205,148.65 at 12/31/04.

**Expenditures in Excess of Approved Budget:**

If the budget adjustments noted above are considered valid, the City did not have expenditures in excess of the established project budget.

**Contracts Approved in Excess of Approved Budget:**

The City entered into purchase orders and approved contract change orders in excess of the established project budget. A purchase order with Border States Electric Supply (092327), for \$231,228 was approved for payment on 4/5/02 resulting in the City over obligating the project budget by \$198,130.20. The City issued one additional purchase order with Border States Electric Supply, for \$25,692 and also approved one change order to Harold K Scholz Co. (C00-1094), for \$26,247, bringing the total over obligation of the project budget to \$250,069.20

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget did not exceed its budget.

Total Approved Project Budget	\$2,175,069.65
Total Expenditures for Project	<u>(\$2,130,148.65)</u>
Remaining Project Budget	<u>\$ 44,921.00</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$44,921.

## **Capital Improvement Program-Project # 033064—Pasley Park Development**

### **Budget Approval:**

- CIP project budgets were authorized as a part of the CIP during 1996 through 2003 as shown below.
  - Calendar Year 1996   \$   53,000
  - Calendar Year 1998   \$ 352,750
  - Calendar Year 2000   \$ 521,000
  - Calendar Year 2001   \$ 609,000
  - Calendar Year 2002   \$   75,500
  - Calendar Year 2003   \$ 125,000
- On 2/21/97 and again on 2/4/99 the City increased the project budget by a total of \$1,704, however, no support could be found for the approval of this increase.
- A budget transfer in of \$46,000 within MOU was approved by the mayor on 8/19/02 and notice was given to the City council by a "Notice of Transfer of Appropriations" dated the same day.

### **Expenditures in Excess of Approved Budget:**

During CY 2003 the City had expenditures in excess of the established project budget. Check number 122306, dated 8/15/03, to Beck & Hofer Construction, Inc., for \$76,803.12 over expended the project budget by \$46,409.12. The City issued additional checks that brought total expenditures in excess of the project budget to \$100,453.67 at the conclusion of this project on 11/11/03.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into a contract and approved change orders in excess of the established project budget. A contract with Beck & Hofer Construction, Inc. (C03-1013), for \$231,500 was signed by the mayor on 3/27/03 resulting in the City over obligating the project budget by \$104,687.98.

This project was completed in CY 2003. Over the life of the project, the established project budget was over expended by \$100,453.67.

Total Approved Project Budget	\$1,581,346.71
Total Expenditures for Project	<u>(\$1,681,800.38)</u>
Excess of Expenditures Over Budget	<u>(\$ 100,453.67)</u>



## **Capital Improvement Program-Project # 038064—Harmodon Park Development**

### **Budget Approval:**

- CIP project budgets were authorized as a part of the CIP during 2000 through 2004 as shown below.
  - Calendar Year 2000 \$ 155,000
  - Calendar Year 2001 \$1,190,000
  - Calendar Year 2002 \$1,497,168
  - Calendar Year 2003 \$1,905,832
  - Calendar Year 2004 \$1,490,000
- A budget transfer out of (\$1,000,000) within MOU was approved by the mayor on 8/19/02 and notice was given to the City Council by a "Notice of Transfer of Appropriations" dated the same day.
- During CY 2003 and CY 2004 budget adjustments were made totaling \$74,601 and \$267,569, respectively. The City's records noted these adjustments as "carry forward/over amount". The project did not have sufficient budget balance at the end of CY 2003 or CY 2004 to carry forward to the next year. However, City records show that the budget was adjusted for the carry forward/over amounts. City personnel informed us that during this period of time, only the salaries and wages budget line item required formal adjustment. Budget was allowed to be moved from one CIP project to another, within the same MOU or department, without formal approval.

We found no documentation to indicate that the transfers were reported to the council.

### **Expenditures in Excess of Approved Budget:**

At no time did the City have expenditures in excess of the established project budget.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget one time during the period reviewed, however additional CIP plan appropriations were anticipated.

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget did not exceed its budget.

Total Approved Project Budget	\$5,384,020.01
Total Expenditures for Project	<u>(\$5,100,319.01)</u>
Remaining Project Budget	<u>\$ 283,701.00</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$8,545.

## **Capital Improvement Program-Project # 092075—Elevated Storage Enhancement**

### **Budget Approval:**

- CIP project budgets were authorized as a part of the CIP during 2003 and 2004 as shown below.
  - Calendar Year 2003 \$ 115,000
  - Calendar Year 2004 \$3,114,000
- Throughout the term of this project, budget carry overs and budget carry forwards were documented by the City budget personnel. At the end of CY 2002, \$115,000 of budget authority was allowed to revert and was not carried forward to CY 2003.

### **Expenditures in Excess of Approved Budget:**

At no time did the City have expenditures in excess of the established project budget.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget. A contract with CB&I Constructors (C04-1060), for \$2,128,200, was signed by the mayor on 7/23/04 resulting in the City over obligating the project budget by \$149,548. The City continued to enter into agreements, purchase orders and obligate funds resulting in the City over obligating the project budget by a total of \$235,284.38 as of 12/31/04.

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget did not exceed its budget.

Total Approved Project Budget	\$3,114,000.00
Total Expenditures for Project	<u>(\$1,726,252.94)</u>
Remaining Project Budget	<u>\$1,387,747.06</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$1,626,131, however the project did not have sufficient project budget available to carry forward.

**Capital Improvement Program-Project # 149099—Marion Road, 12<sup>th</sup> Street South****Budget Approval:**

- The initial CIP project budget was authorized as part of the 2002-2006 CIP on 8/13/01 in the amount of \$146,000 and approved as part of the 2002 Appropriation Ordinance on 9/10/01.
- Additional project budgets were authorized as a part of the CIP for 2003-2007 in the amount of \$2,045,000.
- A budget transfer in of \$183,000 from pooled projects within MOU was approved by the CIP Committee and posted on 2/12/03.
- During CY 2003 the City recorded a budget adjustment for \$427,402, which the City's records noted as a "Carry Forward/Over" amount at the end of CY 2002. The project did not have sufficient budget balance at the end of CY 2002 to carry forward to the next year. However, the City records show that the budget was adjusted for the carry forward/over amount. Also, during CY 2004, the City recorded a budget adjustment of \$666,059, which the City's records noted as a "Carry Forward/Over" amount at the end of CY 2003. The project did not have sufficient budget balance at the end of CY 2003 to carry forward to the next year. However, City records show that the budget was adjusted for the carry forward/over amount. City personnel informed us that during this period of time, only the salaries and wages budget line item required formal adjustment. Budget was allowed to be moved from one CIP project to another, within the same MOU or department, without formal approval.

We found no documentation to indicate that these transfers were reported to the council. Without this adjustment expenditures would have exceeded the original budget by \$2,884,629.90 at 12/31/04.

**Expenditures in Excess of Approved Budget:**

If the budget adjustments noted above are considered valid, during CY 2003, the City had expenditures in excess of the established project budget. Check number 124030, dated 9/19/03, to Friessen Construction Company, Inc., for \$483,175.95 over expended the project budget by \$253,899.22. The City issued additional checks that brought total expenditures in excess of the project budget to \$1,815,888.89 as of 12/31/04.

**Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget. A contract with Friessen Construction Company, Inc. (C03-1031), for \$4,031,138.67 was signed by the mayor on 4/23/03 resulting in the City over obligating the project budget by \$1,812,526.21. The City entered into additional agreements and approved contract change orders resulting in the City over obligating the project budget (after encumbrance carry forward noted above) by a total of \$1,687,153.03 as of 12/31/04.

As of the end of CY 2004, this project was ongoing. During the project's life through CY 2004, the established project budget has been over expended by \$1,815,888.89.

Total Approved Project Budget and Adjustments	\$3,467,461.00
Total Expenditures for Project	<u>(\$5,283,349.89)</u>
Excess of Expenditures Over Budget	<u>(\$1,815,888.89)</u>

As of 12/31/04, this project did not have an additional appropriation in the CY 2005-2009 CIP program. The City recorded an "encumbrance carry over/forward" in the amount of \$94,833, however the project did not have project budget available to carry forward.

## **Capital Improvement Program- Project # 165099—Sycamore Avenue, 6<sup>th</sup> St. to 25<sup>th</sup> St.**

### **Budget Approval:**

- The initial CIP project budget was authorized by a supplemental appropriation of \$82,000 from Sales/Use Tax Fund by Ordinance #26-01 dated 3/12/01.
- Additional project budgets were authorized as a part of the CIP during 2002 and 2003 as shown below.
  - Calendar Year 2002 \$ 110,000
  - Calendar Year 2003 \$ 815,000
- An additional supplemental appropriation of \$46,000 from the Water and Water Reclamation funds was properly authorized by Resolution #19-02 dated 4/4/02.
- A budget transfer in of \$45,000 from pooled projects within MOU was approved by the CIP Committee and posted on 4/19/02.
- A budget transfer in of \$265,000 from pooled projects within MOU was approved by the CIP Committee and posted on 1/7/03.
- During CY 2003 the City recorded a budget adjustment of \$5,152, which the City's records noted as a "Carry Forward/Over" amount at the end of CY 2002. The project did not have sufficient budget balance at the end of CY 2002 to carry forward to the next year. However, the City records show that the budget was adjusted for the carry forward/over amount. Also, during CY 2004, the City recorded a budget adjustment of \$52,696, which the City's records noted as a "Carry Forward/Over" amount at the end of CY 2003. The project did not have sufficient budget balance at the end of CY 2003 to carry forward to the next year. However, City records show that the budget was adjusted for the carry forward/over amount. City personnel informed us that during this period of time only the salaries and wages budget line item required formal adjustment. Budget was allowed to be moved from one CIP project to another, within the same MOU or department, without formal approval.

We found no documentation to indicate that these transfers were reported to the council. Without this adjustment expenditures would have exceeded the original budget by \$180,828.47 at 12/31/04.

### **Expenditures in Excess of Approved Budget:**

If the budget adjustments noted above are considered valid, during CY 2003 the City had expenditures in excess of the established project budget. Check number 123794, dated 9/12/03, to Marshall Engineering Inc., for \$29,357.50 over expended the project budget by \$10,486.65. The City issued additional checks that brought total expenditures in excess of the project budget to \$122,980.47 as of the end of the project.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget. A contract with T & R Contracting Inc. (C03-1015), for \$577,039.59 was signed by the mayor on 3/7/03 resulting in the City over obligating the project budget by \$109,618.79. The City entered into additional agreements and approved contract change orders resulting in the City over obligating the project budget (after encumbrance carry forward noted above) by a total of \$127,612.89 as of the end of the project.



This project was completed in CY 2004. Over the life of the project, the established project budget was over expended by \$122,980.47.

Total Approved Project Budget	\$1,418,848.22
Total Expenditures for Project	<u>(\$1,541,828.69)</u>
Excess of Expenditures Over Budget	<u>(\$ 122,980.47)</u>

## **Capital Improvement Program-Project # 284099—Louise Avenue, Tennis Lane to 57<sup>th</sup> St.**

### **Budget Approval:**

- CIP project budgets were authorized as a part of the CIP during 2002 and 2004 as shown below.
  - Calendar Year 2002 \$ 88,500
  - Calendar Year 2004 \$1,102,000
- A budget transfer in of \$461,016 from pooled projects within MOU was approved by the CIP Committee and posted on 8/29/02.
- A budget transfer in of \$217,675 from pooled projects within MOU was approved by the CIP Committee and posted on 1/21/03.
- During CY 2003 the City recorded a budget adjustment of \$18,483, which the City's records noted as a "Carry Forward/Over". The project did not have sufficient budget balance at the end of CY 2002 to carry forward to the next year. However, City records show that the budget was adjusted for the carry forward/over amount. Also, during CY 2004 the City recorded a budget adjustment of \$1,233, which the City's records noted as a "Carry Forward/Over". The project did not have sufficient budget balance at the end of CY 2003 to carry forward to the next year. However, City records show that the budget was adjusted for the carry forward/over amount. City personnel informed us that during this period of time, only the salaries and wages budget line item required formal adjustment. Budget was allowed to be moved from one CIP project to another, within the same MOU or department, without formal approval.

We found no documentation to indicate that these transfers were reported to the council. Without this adjustment expenditures would have exceeded the original budget by \$695,802.28 as of the end of the project.

### **Expenditures in Excess of Approved Budget:**

The City had expenditures in excess of the established project budget during CY 2002 and CY 2003; however additional CIP plan appropriations were anticipated. However, in CY 2004, the City had expenditures in excess of the project budget and no additional CIP plan appropriations were anticipated. Check number 140700, dated 7/30/04, to T & R Contracting Inc., for \$303,888.48 over expended the project budget by \$132,886.25. The City issued additional checks that brought total expenditures in excess of the project budget to \$676,086.28 as of the end of the project.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget two times during the period reviewed, however additional CIP plan appropriations were anticipated. However, a contract with T & R Contracting Inc. (C04-1017), for \$974,231.95, was signed by the mayor on 2/26/04 resulting in the City over obligating the project budget by \$413,946.95 and no additional CIP plan appropriations were anticipated. The City continued to make change orders and obligate funds resulting in the City over obligating the project budget by \$695,847.85 as of the end of the CIP project.

This project was completed during CY 2004. Over the life of the project, the established project budget was over expended by a total of \$676,086.28.

Total Approved Project Budget	\$1,888,907.00
Total Expenditures for Project	<u>(\$2,564,993.28)</u>
Excess of Expenditures Over Budget	<u>(\$ 676,086.28)</u>

## **Capital Improvement Program-Project # 912504—Flow Equalization Basin**

### **Budget Approval:**

- The initial CIP project budget was authorized by Ordinance #21-94 dated 3/14/94 in the amount of \$292,591.
- An additional supplemental appropriation of \$2,981,303 from the State Revolving Fund loan was properly authorized by Ordinance #64-94 dated 7/19/94.
- An additional supplemental appropriation of \$1,336,675 from the Water Reclamation Fund was properly authorized by Ordinance #44-95 dated 3/6/95.
- An additional supplemental appropriation of \$39,643 from the Water Reclamation Fund was properly authorized by Ordinance #47-95 dated 3/20/95.
- An automatic budget increase in the amount of \$743 was also noted, however, no support could be provided for the approval of the increase.

### **Expenditures in Excess of Approved Budget:**

The City had expenditures in excess of the established project budget during CY 1994 and CY 1995; however additional CIP plan appropriations were anticipated. However, in CY 1995, the City had expenditures in excess of the project budget and no additional CIP plan appropriations were anticipated. Check number 91205, dated 8/11/95, to First National Bank, for \$99,746 over expended the project budget by \$59,351.10. The City issued additional checks that brought total expenditures in excess of the project budget to \$258,638.10 as of the end of the project.

### **Contracts Approved in Excess of Approved Budget:**

The City entered into contracts, agreements, and purchase orders in excess of the established project budget two times during the period reviewed, however additional CIP plan appropriations were anticipated.

This project was completed during CY 1996. Over the life of the project, the established project budget was over expended by a total of \$258,638.10.

Total Approved Project Budget	\$4,650,955.00
Total Expenditures for Project	<u>(\$4,909,593.10)</u>
Excess of Expenditures Over Budget	<u>(\$ 258,638.10)</u>

**Sales/Use Tax Fund Budgetary Analysis**  
**Departments Which Were Over Budget and Fund 253 in Total**  
**Calendar Years 1996 through 2004**

	Number of Months Expenditures Exceeded Budget		Largest Dollar Amount Expenditures Exceeded Budget		Number of Months Obligations Exceeded Budget		Largest Dollar Amount Obligations Exceeded Budget	
<b>Calendar Year 1996: (4 months analyzed)</b>								
Dept. #11 Facilities Management	0	Months	\$	-	3	Months	\$	(4,353.22)
Dept. #15 Fire Department	0	Months	\$	-	4	Months	\$	(539.14)
Dept. #18 Health	1	Months	\$	(1,639.59)	1	Months	\$	(1,639.59)
Dept. #67 Convention Center	3	Months	\$	(49,347.60)	4	Months	\$	(49,459.22)
Dept. #72 Drainage & Storm Sewer	4	Months	\$	(115,478.71)	4	Months	\$	(148,178.16)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-
<b>Calendar Year 1997: (4 months analyzed)</b>								
Dept. #33 Street	1	Months	\$	(35,482.52)	2	Months	\$	(53,344.52)
Dept. #68 Transit	2	Months	\$	(4,121.62)	4	Months	\$	(4,251.62)
Dept. #69 Washington Pavilion	0	Months	\$	-	2	Months	\$	(4,206.89)
Dept. #72 Drainage & Storm Sewer	1	Months	\$	(27,933.70)	4	Months	\$	(71,971.05)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-
<b>Calendar Year 1998: (4 months analyzed)</b>								
Dept. #49 General Government Services	1	Months	\$	(449.42)	1	Months	\$	(449.42)
Dept. #53 Sales/Use Tax (Debt Payments)	2	Months	\$	(1,463,184.74)	2	Months	\$	(1,544,047.21)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-
<b>Calendar Year 1999: (4 months analyzed)</b>								
Dept. #12 Arena	4	Months	\$	(284,881.87)	4	Months	\$	(372,593.09)
Dept. #15 Fire Department	1	Months	\$	(3,511.28)	2	Months	\$	(91,643.60)
Dept. #49 General Government Services	1	Months	\$	(3,999.88)	3	Months	\$	(3,999.88)
Dept. #56 Electric Light	4	Months	\$	(15,285.14)	4	Months	\$	(15,304.44)
Dept. #69 Washington Pavilion	0	Months	\$	-	1	Months	\$	(224,537.60)
Dept. #77 Water Reclamation	1	Months	\$	(6,261.95)	1	Months	\$	(6,261.95)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-
<b>Calendar Year 2000: (4 months analyzed)</b>								
Dept. #68 Transit	0	Months	\$	-	1	Months	\$	(20,521.98)
Dept. #75 Water	0	Months	\$	-	2	Months	\$	(1,390.18)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-
<b>Calendar Year 2001: (4 months analyzed)</b>								
Dept. #12 Arena	2	Months	\$	(28,925.63)	2	Months	\$	(56,499.76)
Dept. #33 Street	0	Months	\$	-	1	Months	\$	(5,432.57)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-

**Sales/Use Tax Fund Budgetary Analysis**  
**Departments Which Were Over Budget and Fund 253 in Total**  
**Calendar Years 1996 through 2004**

**Calendar Year 2002: (4 months analyzed)**

Dept. #67 Convention Center	3	Months	\$	(502.00)	3	Months	\$	(502.00)
Dept. #72 Drainage & Storm Sewer	0	Months	\$	-	3	Months	\$	(125,685.60)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-

**Calendar Year 2003: (4 months analyzed)**

Dept. #14 Engineering (also includes Dept. #95)	0	Months	\$	-	1	Months	\$	(157,178.78)
Dept. #28 Library	0	Months	\$	-	3	Months	\$	(36,780.88)
Dept. #51 Fleet Revolving	1	Months	\$	(1,417.77)	1	Months	\$	(1,417.77)
Dept. #72 Drainage & Storm Sewer	0	Months	\$	-	1	Months	\$	(51,405.68)
Fund 253 Total	0	Months	\$	-	0	Months	\$	-

**Calendar Year 2004: (Entire year analyzed)**

Dept. #14 Engineering (also includes Dept. #95)	2	Months	\$	(1,855,321.10)	6	Months	\$	(4,163,690.16)
Dept. #56 Electric Light	3	Months	\$	(699.76)	3	Months	\$	(699.76)
Dept. #64 Parks / Recreation	0	Months	\$	-	4	Months	\$	(1,139,511.16)
Dept. #72 Drainage & Storm Sewer	1	Months	\$	(142,826.94)	4	Months	\$	(324,725.94)
Fund 253 Total	0	Months	\$	-	1	Months	\$	(404,938.27)